
Annual Report

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**Superpack
Corporation
Limited**



1968

SUPERPACK CORPORATION LIMITED

Officers

I. Gould, *Chairman of the Board*
T. D. Richmond, *President*
G. Brina, *Vice-President*
M. E. Gould, *Vice-President—European Operations*
H. Vinnet, *Vice-President—Finance*
N. White, *Secretary*
G. Papernick, *Treasurer*

Directors

G. Brina
I. Gould
H. W. Marache Jr.
T. D. Richmond
N. White

Registrar and Transfer Agent

Guaranty Trust Company of Canada

Auditors

Perlmutter, Orenstein, Giddens,
Newman & Co.

General Counsel

Manning, Bruce, Macdonald & Macintosh

Head Office

254 Bartley Drive
Toronto 16, Ontario, Canada

Branch Offices

Montreal, *Canada*
Los Angeles, *California*
St. Louis, *Missouri*
Elizabeth, *New Jersey*
London, *England*
Nassau, *Bahamas*

ANNUAL REPORT 1968

Letter from the President

The year ended November 30, 1968 set a new record in sales which increased to \$10,721,518 and earnings of \$611,306 or \$1.22 per share which were the highest in the history of the Company, showing an increase over the previous year of more than sixty percent.

This has been achieved through operating efficiencies and continued internal expansion of product lines and marketing outlets.

During the year, your Company's laundry products were introduced into approximately 2,000 additional launderettes in Canada, the United States and the United Kingdom. The various laundry products packaged and distributed by your Company are now sold through over 40,000 launderettes in North America and the United Kingdom.

In addition to new outlets, additional products have also been included during the year. As indicated to you in the previous quarterly report, agreements have been signed with the Unilever Limited organization in the United Kingdom and a new packaging plant has been established which will package not only our present private label brands but, in addition, OMO and PERSIL, the Lever brand name detergents in the United Kingdom.

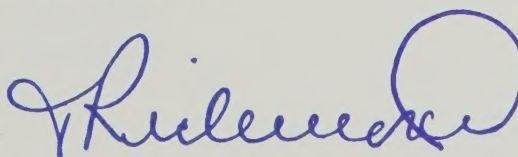
In the United States, additional brand name products of the major laundry product manufacturers such as COLD WATER ALL, COLD POWER, DRIVE, TIDE and BOLD are now being packaged by our U.S. subsidiary.

As is evident from the financial statements, the continued increase in cash flow has allowed the Company to repay all high interest rate loans so that other than debentures outstanding, the Company's financing is now handled through commercial banks.

All of the achievements of the current year are to a large extent due to the continuing effectiveness of the employees of the various divisions of the Company and the Board is most grateful for their level of co-operation.

For the Board of Directors

Theodore D. Richmond, President

A handwritten signature in blue ink, appearing to read 'T. Richmond', with a large circular flourish at the end.

Toronto, Canada, March 29, 1969

Financial Summary

Ten Year Combined Financial Summary in Canadian Funds

Year End Nov. 30	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959
Net Sales	\$10,721,518	\$10,303,022	\$9,929,648	\$10,413,190	\$9,110,775	\$8,536,326	\$7,060,064	\$4,400,000	\$3,691,000	\$2,939,000
Gross earnings	1,619,265	1,300,414	962,580	830,438	630,832	794,570	826,463	391,619	220,527	135,103
Depreciation and amortization	613,240	628,675	568,424	595,423	497,878	354,005	128,605	59,652	57,326	62,471
Interest	209,431	252,685	181,327	149,845	182,551	175,815	100,956	8,063	13,678	7,544
Income taxes	185,288	29,348	12,500	12,428	(71,118)	(35,432)	195,181	147,462	51,141	14,088
Net earnings	611,306	389,706	200,329	72,742	21,521	300,182	401,721	176,442	98,382	51,000
Earnings per share	1.22	0.78	0.40	0.15	0.04	0.60	0.80	0.35	0.19	0.10
Cash provided by operations, per share	2.44	2.00	1.54	1.33	1.04	1.31	1.06	.47	.31	.23
Average number of shares outstanding during year	502,025	501,005	501,005	501,005	501,005	501,005	501,005	501,005	501,005	501,005

Auditors' Report

TO THE SHAREHOLDERS,
SUPERPACK CORPORATION LIMITED.

Gentlemen:

We have examined the accompanying consolidated balance sheet of Superpack Corporation Limited and subsidiary companies as at November 30, 1968 and the related consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination of Superpack Corporation Limited and certain of the subsidiary companies included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

With respect to the financial statements of the other subsidiary companies we relied upon the reports of other independent auditors and our opinion in respect to those companies is based upon their reports.

In our opinion, the accompanying consolidated financial statements present fairly the consolidated financial position of the companies as at November 30, 1968 and the consolidated results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 28, 1969

"PERLMUTTER, ORENSTEIN, GIDDENS, NEWMAN & CO."
Chartered Accountants.

Earnings and Retained Earnings

SUPERPACK CORPORATION LIMITED AND SUBSIDIARY COMPANIES CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS FOR THE YEAR ENDED NOVEMBER 30, 1968 WITH 1967 COMPARISONS

	1968	1967
SALES	\$10,721,518	\$10,303,022
EARNINGS BEFORE PROVISION FOR UNDERNOTED ITEMS	\$ 1,619,265	\$ 1,300,414
Depreciation on fixed assets	449,808	470,001
Amortization of intangible assets and deferred charges (Note 5)	163,432	158,674
Interest (including interest on long-term debt \$196,851; 1967 — \$188,978)	209,431	252,685
Income taxes (Note 5)	185,288	29,348
NET EARNINGS	\$ 611,306	\$ 389,706
RETAINED EARNINGS		
Balance — December 1,	805,791	416,085
Balance — November 30,	\$ 1,417,097	\$ 805,791
EARNINGS PER COMMON SHARE	\$ 1.22	\$ 0.78
AVERAGE NUMBER OF SHARES OUTSTANDING	502,025	501,005

The accompanying notes form an integral part of these consolidated financial statements.
The consolidated financial statements should be read in conjunction with the accompanying
auditors' report dated March 28, 1969.

Balance Sheet

SUPERPACK CORPORATION LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AS AT NOVEMBER 30, 1968

WITH 1967 COMPARISONS

ASSETS	1968	1967
CURRENT ASSETS		
Cash	\$ 18,712	\$ 83,942
Accounts receivable (after allowance for doubtful accounts)	1,629,269	1,545,229
Inventories — at the lower of cost or net realizable value	979,434	1,006,578
Due from officers	10,530	18,362
Loans and notes receivable	—	6,276
Prepaid expenses and sundry assets	66,399	48,961
	<u>\$2,704,344</u>	<u>\$2,709,348</u>
FIXED ASSETS — at cost except as indicated in note 1		
Vending units	\$2,088,015	\$2,027,428
Machinery, equipment, furniture and fixtures	1,811,576	1,833,126
Tools and dies	434,103	421,395
Vehicles	118,675	136,064
Leasehold improvements	251,618	238,051
	<u>\$4,703,987</u>	<u>\$4,656,064</u>
Less — Accumulated depreciation and amortization	<u>2,695,384</u>	<u>2,340,875</u>
	<u>\$2,008,603</u>	<u>\$2,315,189</u>
INVESTMENTS — at cost		
Investments — subsidiary companies (note 1)	\$ 200	\$ 200
Sundry investments	31,168	26,609
	<u>\$ 31,368</u>	<u>\$ 26,809</u>
PATENT RIGHTS, LICENSING AGREEMENTS, RESTRICTIVE COVENANTS AND DEFERRED DEVELOPMENT COSTS (less amortization)		
	<u>\$1,031,935</u>	<u>\$1,167,193</u>
EXCESS OF COST OF SHARES OF SUBSIDIARIES OVER BOOK VALUE OF NET TANGIBLE ASSETS (less amortization)		
	<u>\$ 968,418</u>	<u>\$ 970,282</u>
COSTS OF ORGANIZATION AND ISSUE OF CAPITAL STOCK AND DEBENTURES (less amortization)		
	<u>\$ 43,642</u>	<u>\$ 58,131</u>
TOTAL ASSETS	<u><u>\$6,788,310</u></u>	<u><u>\$7,246,952</u></u>

Approved on behalf of the Board:

I. GOULD, Director

T. D. RICHMOND, Director

Toronto, Canada, March 28, 1969.



LIABILITIES	1968	1967
CURRENT LIABILITIES		
Bank indebtedness (secured) (note 2)	\$ 345,576	\$ 392,637
Finance company advances	—	267,769
Accounts payable and accrued liabilities	1,044,740	1,206,440
Income taxes	175,857	41,856
Payroll deductions and sales taxes	84,507	78,376
Current portion of long-term debt	112,173	329,931
	<u>\$1,762,853</u>	<u>\$2,317,009</u>
LONG-TERM DEBT		
Debentures (note 3)	\$2,187,575	\$2,265,320
Loans and notes	19,903	712,758
	<u>\$2,207,478</u>	<u>\$2,978,078</u>
Less — Amount included in current liabilities	112,173	329,931
	<u>\$2,095,305</u>	<u>\$2,648,147</u>
TOTAL LIABILITIES	<u>\$3,858,158</u>	<u>\$4,965,156</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 4)		
Preference—Authorized, 50,000, 6%, cumulative shares, redeemable at \$20.50, par value \$20 each; issued and outstanding, nil	\$ —	\$ —
Common—Authorized, 1,000,000 shares without par value; issued and outstanding, 506,705 shares (1967—501,005 shares)	1,513,055	1,476,005
	<u>\$1,513,055</u>	<u>\$1,476,005</u>
RETAINED EARNINGS	1,417,097	805,791
	<u>\$2,930,152</u>	<u>\$2,281,796</u>
	<u>\$6,788,310</u>	<u>\$7,246,952</u>

The accompanying notes form an integral part of these consolidated financial statements.

The consolidated financial statements should be read in conjunction with the accompanying auditors' report dated March 28, 1969.

Funds

SUPERPACK CORPORATION LIMITED AND SUBSIDIARY COMPANIES CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED NOVEMBER 30, 1968 WITH 1967 COMPARISONS

SOURCE OF FUNDS	1968	1967
OPERATIONS		
Net earnings	\$ 611,306	\$ 389,706
Add — Depreciation and amortization	613,240	628,675
	\$1,224,546	\$1,018,381
Less — Deferred income realized	—	10,544
	\$1,224,546	\$1,007,837
PROCEEDS OF SHARE ISSUE	22,050	—
REALIZATION OF INVESTMENTS	—	9,555
INCREASE IN LONG-TERM DEBT	—	140,555
TOTAL FUNDS PROVIDED	\$1,246,596	\$1,157,947

APPLICATION OF FUNDS	1968	1967
PURCHASE OF FIXED ASSETS	\$ 143,222	\$ 230,890
REPAYMENT OF LONG-TERM DEBT	755,600	345,485
MISCELLANEOUS APPLICATIONS	16,380	27,232
TOTAL FUNDS APPLIED	\$ 915,202	\$ 603,607
INCREASE IN WORKING CAPITAL (exclusive of long-term debt due within one year)	\$ 331,394	\$ 554,340

The accompanying notes form an integral part of these consolidated financial statements.

The consolidated financial statements should be read in conjunction with the accompanying auditors' report dated March 28, 1969.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS NOVEMBER 30, 1968

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all the wholly owned subsidiary companies except two which were inactive throughout the year ended November 30, 1968. The inclusion of the accounts of these subsidiaries would have no significant affect on the consolidated financial statements. The investment in these subsidiaries is recorded at nominal value.

Conversions from currencies other than Canadian have been made at applicable rates and in accordance with the Company's regular accounting practices.

Pursuant to an appraisal dated March 19, 1962 by Cooper Appraisals Limited of the fixed assets of Nortex Products Company, a division of the Company, \$335,574 of the excess of the cost of the shares of the subsidiaries from whom these assets were purchased, over the underlying book value of their net tangible assets, has been included as fixed assets. The balance of the excess of the cost of the shares of these subsidiaries and the excess of the cost of the shares of other subsidiaries over the underlying book value of their net tangible assets, are recorded as "Excess of cost of shares of subsidiaries over book value of net tangible assets".

2. ASSETS PLEDGED

Accounts receivable in the amount of 550,947 and inventory in the amount of \$348,346 are pledged as collateral for bank loans of \$282,000.

3. DEBENTURES

The debentures issued by the Company mature on March 31, 1972, and are subject to the provisions of a Trust Indenture dated March 31, 1962, which provides, among other things, that the debentures are:

- (a) Secured by a floating charge on the assets of the Company and its subsidiaries.
- (b) Redeemable under certain conditions from time to time at a premium varying from 2½% to nil.
- (c) Convertible under certain conditions at the holder's option from time to time at bases varying from one share per each \$18.75 principal amount to one share per each \$22.50 principal amount.
- (d) To be partially retired out of the proceeds of the sinking fund to which the Company covenants to contribute \$78,000 per year.

In 1967, a subsidiary of the Company issued \$91,500 (U.S.) five year 10% unsecured income debenture bonds providing for a minimum annual redemption of not less than 20% of the principal indebtedness.

4. CAPITAL STOCK

During the year options on 4,900 common shares were exercised and \$15,000 of debentures were converted giving rise to the issue in total of 5,700 shares for \$37,050. Subsequent to the year end options on an additional 20,100 shares were exercised and an additional \$173,466 of debentures were converted giving rise to the issue in total of 29,347 additional shares for \$263,916.

Accordingly, of the authorized and unissued capital stock as of the reporting date, 103,217 shares are reserved for possible conversion of debentures (note 3) and 25,000 shares are reserved under an employee stock option plan pursuant to which options at \$9.50 per share on 25,000 shares were granted, which options can be exercised at any time up to September 21, 1969, subject to certain conditions and restrictions.

5. EARNINGS AND RETAINED EARNINGS

Income taxes otherwise payable for the year by the Company and certain of its subsidiaries have been reduced by approximately \$190,000 as a result of the carrying forward of previous years' losses. To date, income taxes otherwise payable by the Company have been reduced by an accumulated amount of approximately \$42,000 as a result of the Company having claimed for income tax purposes, in previous years, capital cost allowances and certain deferred charges in excess of depreciation and amortization recorded in the accounts. The Company has a tax loss of approximately \$62,000 to be applied in reduction of the taxable incomes of future years.

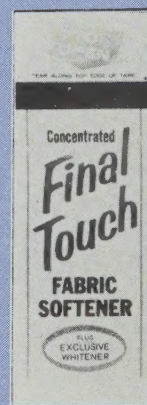
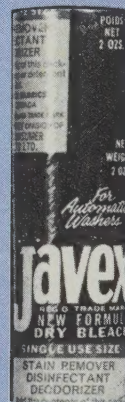
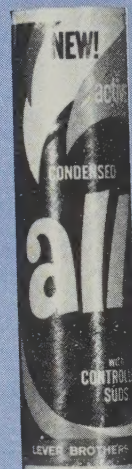
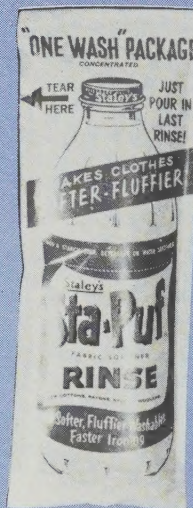
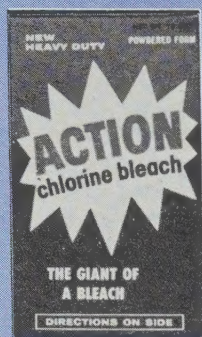
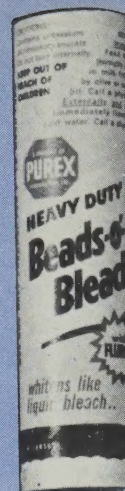
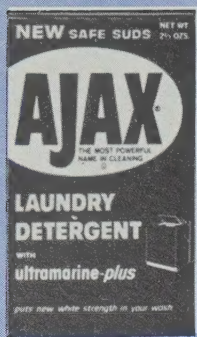
Executive officers' salaries aggregated \$230,640 during the year (\$277,129 in 1967).

6. COMMITMENTS AND CONTINGENT LIABILITY

The Company and its subsidiaries as the lessees of leasehold properties, have contractual obligations for annual rental payments of approximately \$158,000 under leases which have varying terms up to April 6, 1977.

On January 10, 1968, Viewood Investments Limited, the lessor of the premises occupied by a former division of the Company initiated an action in the Supreme Court of Ontario against Superpack Corporation Limited, the original lessee of the premises.

Pursuant to the terms of the agreement dated April 4, 1966, whereby the Company sold the Gold Crest Products division of Superpack Corporation Limited, the Company was indemnified and saved harmless from all liability under the lease with Viewood Investments Limited. Accordingly, any liability arising out of the lawsuit would be borne by the purchaser and there would be no material adverse affect on the Company.



CYLINDRAMATIC VENDING

The growth of your company since 1961 has been the result of doing something better than anyone ever has before. For Superpack, this means producing both the machines and the specially designed packages they vend so that our units hold more product, virtually eliminate repair problems and require no investment on the part of the location owner. We call this development "cylindramatic vending."

Superpack vends the products it sells in spiral-wound, paperboard containers. Plastic bags are wedged into these cardboard tubes tightly enough so that they don't fall out, yet are easily removed by the housewife. When detergents are packaged in the cylinders, the ends are heat-sealed with thin, polyethylene film that protects against moisture and spillage. The tube is designed to contain a plastic bag of specific size (your company vends these in 10 cent and 25 cent sizes) or the exact amount of detergent needed for a perfect wash. A series of short, slanted arms, motivated by gravity, permits our vendors to hold up to six times more product than similar-sized units that contain traditional, rectangular packs heaped one on top of the other. Our grants of patents on this special form of packaging have effectively secured our position in "cylindramatic vending" in the future.

Superpack's engineers and designers had solved the three basic problems of cost, servicing and capacity that were plaguing the retailer of laundry supplies through coin-operated equipment. To the vending machine and packaging industries, the effect of this achievement has been indeed favourable.

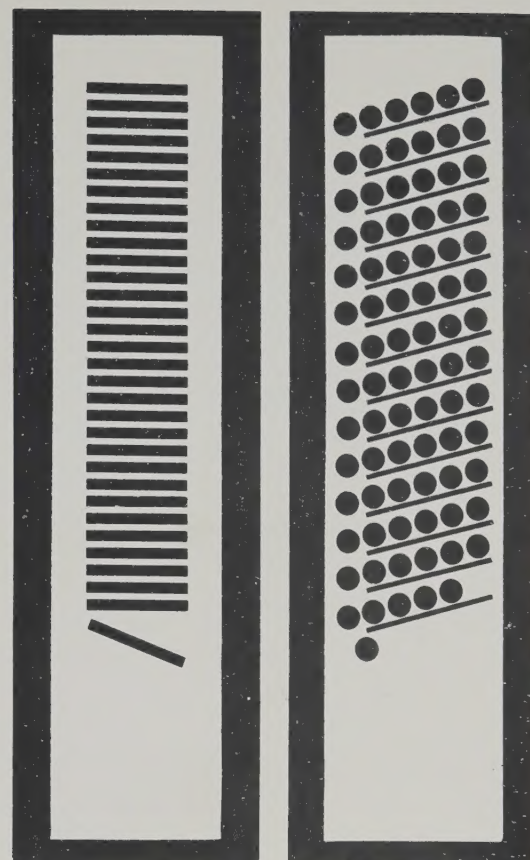
By holding more product, the Superpack "cylindramatic vendor" requires fewer visits from a service man for refills. These visits are one of the major costs to a distributor. In many cases, the installation of our unit has reduced the number of visits to one, where previously four had been necessary. For the location owner, a Superpack placement can mean as much as six times the amount of revenue he formerly derived from a machine that occupied the same amount of space.

Because the cylindrical packages are gravity-fed, (triggered by the insertion of a coin and dispensed by their own weight) the only moving part in the entire mechanism is the coin chute. As a result, repair problems are minimal. Again, this is a double blessing for both distributor and location owner. The units are virtually worry-free, and no selling time is lost.

Because your company is basically a packager, our business is dependent not on selling machines but on selling products. This is one of the differences between Superpack and those firms that may more properly be categorized as "vending machine companies." In the case of Superpack, each time we make an installation, we have "franchised" a "mechanical merchant" who sells our packages from that time forward, providing us with a measurable, geometric extension of sales and profits.

From its inception, your company has opened a whole new frontier of profits in coin-op laundry supplies to both the distributor and the location owner.

Through continual marketing surveys we have learned that our best results come from packaging products that are nationally known and advertised. We are continuing to conduct tests of "cylindramatic vending" with products outside of the laundry supply field. The impact of "cylindramatic vending" in these fields could equal or exceed the success we are already enjoying in coin-operated laundries.



OLD FASHIONED VENDING

Conventional vendors use only two dimensions: height and width

CYLINDRAMATIC VENDING

Utilizes height, width, and the third dimension: depth — increasing capacity up to six-and-one-half times



Two of the cylindramatic vending machines manufactured by Superpack Corporation Limited



SUPERPACK CORPORATION LIMITED

TORONTO, *Canada* • MONTREAL, *Canada* • LOS ANGELES, *California*

ST. LOUIS, *Missouri* • ELIZABETH, *New Jersey* • LONDON, *England* • NASSAU, *Bahamas*